

SCHOOL BUDGET REVIEW [289]

Notice of Intended Action

Pursuant to the authority of Iowa Code section 257.30, the school budget review committee hereby proposes to amend two of its chapters in the Iowa Administrative Code: Chapter 1, "Organization," and Chapter 6, "Duties and Operational Procedures."

2010 Iowa Acts, HF 2030, effective January 20, 2010, authorizes emergency rulemaking. The Act does the following:

- Changes the composition of the committee and makes the director of the department of education a nonvoting member of the committee (see amendments filed to Chapter 1, "Organization"). This statutory change also makes it desirable to amend subrule 6.2(4) regarding a quorum (see Item 2).
- Defines "unexpended fund balance," and directs the committee to review a school district's unexpended fund balance prior to any decision regarding unusual financial circumstances. Items 1 and 4 address these matters. Item 4 also includes amendments that align the listing of unusual circumstances with that in Iowa Code section 257.31(5).
- Requires the committee to determine whether a school district's unexpended fund balance is in excess of the amount necessary for operations, and if so, to direct the school district to use the unexpended fund balance in lieu of levying property taxes and to direct the department of management to monitor compliance by school districts. This is addressed in item 3.

A waiver provision is provided in 289—Chapter 8.

Any person or agency may submit written comments concerning these proposed amendments or may submit a written request to make an oral presentation. The comments or request shall:

1. Include the name, address, and telephone number of the person or agency authoring the comments or request.
2. Reference the number and title of the proposed amendment, as given in this Notice, that is the subject of the comments or request.
3. Indicate the general content of a requested oral presentation.
4. Be addressed to Carol Greta, Department of Education, Office of the Director, Grimes State Office Building, 2nd Floor, Des Moines, IA 50319-0146; fax (515)281-4122; E-mail carol.greta@iowa.gov.
5. Be received no later than March 16, 2010.

A meeting to hear requested oral presentations is scheduled for March 23, 2010, at 3 p.m. at the State Board Room, second floor, Grimes State Office Building, East 14th Street and Grand Avenue, Des Moines, Iowa.

The meeting will be canceled without further notice if no oral presentation is requested.

These amendments were also Adopted and Filed Emergency and are published herein as **ARC** _____ **B** to allow for public comment. The content of that submission is incorporated by reference.

These amendments are intended to implement 2010 Iowa Acts, HF 2030, amending Iowa Code sections 257.2, 257.30, 257.31, and 298.10.

Item 1. Amend rule **6.1(257)**, definition of "unexpended cash balance," as follows:
"Unexpended cash fund balance" is the district's fund balance, which is unreserved and undesignated cash position at any given time. "Unreserved and undesignated" are those items not reserved and not designated according to generally accepted accounting principles (GAAP) promulgated by the

Governmental Accounting Standards Board (GASB). ~~(It Unexpended fund balance~~ does NOT have a direct relationship to the “unspent balance carried forward.”)

Item 2. Amend subrule **6.2(4)** as follows:

6.2(4) Quorum.

a. Three voting members present shall constitute a quorum, and a quorum must be present to conduct a hearing at which official action is taken.

~~b. If only three members are present, three favorable votes are necessary to pass a motion.~~

Item 3. Amend subrule **6.5(4)** as follows:

6.5(4) Cash reserve levy.

a. and b. No change.

c. Notwithstanding any other action approved by the committee, cash reserve levies for the budget year ~~(reference lines 15.9/15.10 of the Aid & Levy Worksheet)~~ shall not exceed 25 percent of the ~~(SAR reference Item L, column 9, cell 602) operating general~~ fund expenditures for the year previous to the base year minus the ~~(SAR reference Item J, column 1, cell 293) operating unexpended~~ fund ~~unspent cash~~ balance for the year previous to the base year. NOTE: Pursuant to 2010 Iowa Acts, HF 2030, for fiscal years beginning on or after July 1, 2012, the cash reserve levy shall not exceed 20 percent of the general fund expenditures for the year previous to the base year minus the unexpended fund balance for the year previous to the base year.

d. No change.

e. For fiscal years 2010 through 2012, the committee shall direct school districts whose unexpended fund balance exceeds 25% of the district's general fund expenditures previous to the base year to reduce the district's general fund levy and use the district's unexpended fund balance. For fiscal years beginning with 2013, the committee shall direct school districts whose unexpended fund balance exceeds 20% of the district's general fund expenditures previous to the base year to reduce the district's general fund levy and use the district's unexpended fund balance.

(1) In the event a district that is required to reduce the district's general fund property taxes pursuant to this paragraph has documented evidence that in the base year or in the current budget year, it has incurred a substantial reduction in its unexpended fund balance, the district may submit that evidence to the committee for an adjustment to the amount required to be reduced.

(2) The department of management shall monitor whether school districts reduce their general fund levy and expend their unexpended balance, and shall report back to the committee at the earliest practicable time but no later than May of each year.

Item 4. Amend subrule **6.5(5)** as follows:

6.5(5) Supplemental aid and modified allowable growth. The committee may grant supplemental aid to school districts from any funds appropriated to the department of education for use of the school budget review committee or may establish a modified allowable growth for a school district by increasing its allowable growth for purposes outlined in Iowa Code subsection 257.31(5). Such aid shall be miscellaneous income and shall not be included in the combined district cost. These funds may be provided for, but not limited to, the following situations:

a. Unusual circumstances that uniquely impact the school district. The committee shall review a school district's unexpended fund balance and unspent balance from the base year prior to any decision regarding unusual finance circumstances.

(1) Any unusual increase or decrease in enrollment.

(2) Unusual natural disasters.

(3) Unusual initial staffing problems.

(4) The closing of a nonpublic school, wholly or in part, or the opening or closing of a charter school.

(5) Substantial reduction in miscellaneous income due to circumstances beyond the control of the district.

(6) Unusual necessity for additional funds to permit continuance of a course or program which provides substantial benefit to pupils.

(7) Unusual need for a new course or program which will provide substantial benefit to pupils, if the district establishes the need and the amount of necessary increased cost.

(8) Unusual need for additional funds for special education or compensatory education programs.
(9) Year-round or substantially year-round attendance programs which apply toward graduation requirements, including, but not limited to, trimester or four-quarter programs. Enrollment in such programs shall be adjusted to reflect equivalency to normal school year attendance.

(10) Unusual need to continue providing a program or other special assistance to non-English speaking pupils after the expiration of the ~~three-year~~ four-year period specified in Iowa Code section 280.4.

(11) Circumstances caused by unusual demographic characteristics.

(12) Any unique problems of school districts.

(13) The addition of one or more teacher librarians pursuant to Iowa Code section 256.11, subsection 9, one or more guidance counselors pursuant to Iowa Code section 256.11, subsection 9A, or one or more school nurses pursuant to Iowa Code section 256.11, subsection 9B.

(14) Unusual need for additional funds for the costs associated with providing competent private instruction pursuant to chapter 299A.

b. No change.

c. Unexpended cash fund balance. School districts desiring to use a portion of the unexpended ~~cash~~ fund balance to furnish, equip and contribute to the construction of a new building must submit a formal request to the committee.

d. and e. No change.

f. As part of the analysis to determine the necessity for funding of each request for supplemental aid, the committee shall consider if the budget for the requested program or circumstance, when subtracted from the unexpended fund balance in the base year, would reduce that unexpended fund balance below 20% of the total general fund expenditures in the base year.

g. As part of the analysis to determine the necessity for budget authority of each request for modified allowable growth, the committee shall consider if the budget for the requested program or circumstance, when subtracted from the unspent balance in the base year, would reduce that unspent balance below 10% of the total general fund expenditures in the base year.